

Message Text

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TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-02

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DRAFTED BY EUR/CAN:DLBLAKEMORE:MGH

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E.O. 11652: N/A

TAGS: EINV, CA

SUBJECT: FIRA PHASE II

REF: BLAKEMORE/LEARY TELCON JULY 24

FOLLOWING IS CONTINGENCY PRESS GUIDANCE ON ANNOUNCEMENT
OF FIRA PHASE II.

QUOTE

Q: WHAT IS THE US REACTION TO THE CANADIAN ANNOUNCEMENT
ON JULY 18 OF GUIDELINES GOVERNING NEW FOREIGN EQUITY
INVESTMENT IN CANADA AND NEW INVESTMENTS IN UNRELATED
FIELDS BY EXISTING FOREIGN INVESTORS?

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A: THE CANADIAN ANNOUNCEMENT CONCERNED THE IMPLEMENTATION

OF PHASE II OF THE FOREIGN INVESTMENT REVIEW ACT. PHASE I OF THE ACT, GOVERNING TAKEOVERS OF CANADIAN COMPANIES BY FOREIGN FIRMS, HAS BEEN IN EFFECT FOR OVER A YEAR. THE NEW ANNOUNCEMENT DOES NOT COME AS A SURPRISE, AND WHILE THE USG BELIEVES THAT GOVERNMENT IMPEDIMENTS TO INTERNATIONAL INVESTMENT FLOWS SHOULD BE MINIMIZED, WE RECOGNIZE CANADA'S RIGHT TO ESTABLISH GUIDELINES CONCERNING NEW FOREIGN INVESTMENT. WE HAVE NOT YET RECEIVED A COPY OF

THE GUIDELINES THEMSELVES, AND THUS WE ARE UNABLE TO COMMENT ON SPECIFIC PROVISIONS. WE ARE MOST ANXIOUS, OF COURSE, TO BE CERTAIN THAT THEY DO NOT DISCRIMINATE AGAINST POTENTIAL US INVESTORS, AND THAT THEIR APPLICATION TO US FIRMS IS FAIR AND EQUITABLE. TO THIS END WE WILL BE FOLLOWING CLOSELY IMPLEMENTATION OF THE NEW GUIDELINES, WHICH ARE SCHEDULED TO GO INTO EFFECT ON OCTOBER 15. END QUOTE. KISSINGER

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